

**City of Fayetteville**  
**Regular Mayor and City Council Meeting**  
**Minutes**  
**June 15, 2006**

**Call to Order**

The Mayor and City Council of Fayetteville met in regular session on Thursday, June 15, 2006 at 7:00 p.m. in the Council Chambers at City Hall. Mayor Steele called the meeting to order, and led those attending in the Pledge of Allegiance to the Flag. Council members present were: Glenn Brewer, Larry Dell, Paul Oddo, Jr., Wilson Price and Walt White. Staff members present were City Manager Joe Morton and City Clerk Judy Stephens.

White moved to approve the minutes of the Regular Council Meeting of June 1, 2006. Dell seconded the motion. The motion carried unanimously

**Public Hearings:**

Mayor Steele called 2<sup>nd</sup> Reading on Proposed Ordinance #0-9-06 – Rezoning Request from Asa Candler to rezone 4.664 acres, from R-30 to C-1, property located at 600 Highway 54 West.

Eldridge Gunn, Director of Planning and Zoning stated the applicant's request is to rezone approximately 5 acres located at the corner of Lanier Avenue (Hwy. 54) and Grady Avenue from R-30 Single-Family Residential to C-1 Downtown Commercial for the construction of a mixed-use office and retail campus. The future land use plan calls for office use.

A number of issues were discussed at the May 18, 2006 City Council meeting. In particular, concerns were expressed about the project's density and amount of greenspace. The item was tabled until the June 15<sup>th</sup> meeting in order to allow the applicant to adequately address those issues. The applicant has now addressed both of these issues by eliminating one of the previously proposed buildings on the rear of the site and providing substantially more greenspace throughout the site.

The proposed development for the site is now five buildings totaling approximately fifty thousand square feet (57,218) of both office and retail use. The proposal includes the construction of two retail buildings; one 14,000 sq. ft. and the other 11,250 sq. ft. Both of these buildings will front onto State Hwy 54. Also, there will be twin office buildings measuring 6,000 sq. ft. each fronting onto Grady Avenue. And lastly, there will be only one 2-story 9,968 sq. ft. building constructed on the rear of the property. Ingress/egress to the property will be off both Hwy 54 and Grady Avenue.

Two design schemes are used for the proposed buildings. The architecture of the retail buildings is compatible with the type of buildings sought within the Main Street Architectural Overlay. But although the color scheme and materials in the office building elevations match the elevations for the retail buildings, the design of the office buildings is more suburban than downtown. If the rezoning is approved then the elevations would be addressed in detail during the development plan approval process.

The zoning ordinance designates the Office-Institutional (OI) zoning district for that purpose. Therefore, the applicant's proposal is inconsistent with the Future Land Use Map. The Office-Institutional zoning district allows limited commercial uses, but the applicant chose to seek the C-1 zoning district to be allowed commercial uses beyond those that are allowed in the OI zoning district.

The property is within the Main Street Architectural Overlay district and within the State Highway/Jimmie Mayfield Corridor Overlay District. The Main Street District encourages the mixed-uses found in the C-1 zoning district. The C-1 Downtown Commercial zoning district is intended to be the mixed-use, pedestrian oriented, central business district of the City of Fayetteville.

The OI zoning district is compatible with the area and is also consistent with the OI Future Land Use Map designation. However, in consideration of the site's proximity to the heart of downtown and its inclusion in the Main Street district, a downtown mixed use designation on the Future Land Use Map may be just as appropriate. The C-1 zoning designation would then be the most consistent underlying zoning.

Although the Shops @ Highway 54 Request to Rezone from R-30 to C-1 is not consistent with the Future Land Use Map, it is consistent with the goal of the Main Street District to provide a mix of uses. In addition, the applicant's revised plan now addresses the concerns expressed about density and adequate greenspace. Therefore staff recommends approval.

At the April 25<sup>th</sup> meeting, the Planning and Zoning Commission recommended approval of the proposed rezoning.

Asa Candler appeared before Council to answer questions anyone might have.

There were no Public Comments.

White moved to adopt Ordinance #0-9-06 Rezoning Request from Asa Candler to rezone 4.664 acres, from R-30 to C-1, property located at 600 Highway 54 West provided that Mr. Candler use pervious pavers in the 23 identified parking spaces that would bring down the impervious area to 60% or less. Price seconded the motion.

For motion: White, Price, Brewer, Oddo

Opposed: Dell

Motion carried.

Mayor Steele called Public Hearing and 1<sup>st</sup> Reading on Proposed Ordinance #0-10-06 - Amendment to the Traffic and Vehicle Ordinance section 82-260 through section 82-267 to address Golf Carts.

Eldridge Gunn, Director of Planning and Zoning advised they are still working on this Ordinance and he recommends it be tabled until the 1<sup>st</sup> meeting in August.

There were no Public Comments.

Brewer moved to table until the August 3, 2006 meeting. White seconded the motion. The motion carried unanimously.

Mayor Steele called Public Hearing and 1<sup>st</sup> Reading on Proposed Ordinance #0-11-06 - Amendment to the Zoning Ordinance section 94-285 to address Tractor Trailer parking for commercial uses.

Eldridge Gunn, Director of Planning and Zoning stated currently, the City's zoning ordinance addresses the parking of tractor trucks, semi-trailers, and tractor trailers in residential districts but it does not address parking of the aforementioned vehicles in commercial districts. The proposed amendment is to address the parking of tractor trucks within commercial districts in the City of Fayetteville.

The amended section of the ordinance would add a Section 94-285 under Article VI. Application of Regulations.

**Sec. 94-285    Parking of tractor trucks in commercial districts restricted.**

(a) Owners of tractor trucks residing within the City of Fayetteville as of [April 1, 2006] and who personally operate a tractor truck may be allowed to park or store within a commercial district subject to the following restrictions and requirements:

(1) The owner/operator of the tractor truck shall secure a permit from the zoning administrator for the parking or use of a tractor truck in commercial districts.

(2) Proof of the applicant's ownership of the tractor truck in question shall be required as a precondition to the issuance of a permit hereunder. The permit shall be personal to the permittee and shall be non-assignable and non-transferable. Only one (1) permit shall be issued per residence.

(3) Written permission from the commercial property owner shall be required as a precondition to the issuance of a permit hereunder.

(4) An owner/operator of a tractor truck who has obtained a valid permit pursuant to this section shall park such tractor truck only upon a paved or concrete driveway at the commercial site.

(5) A permit issued hereunder shall remain valid for as long as the permit holder qualifies for a non-conforming permit pursuant to this section 94-285.

(6) A permit issued hereunder shall remain valid for as long as the permit holder qualifies for a non-conforming permit pursuant to this section 94-285.

(7) No person shall perform major repairs on a tractor truck in a C-2 commercial district or in a C-3 commercial district unless a special exception allowing that use has been approved in accordance with Sec. 94-167 of this Code. Light servicing shall be permissible provided that such light servicing is done in accordance with applicable federal and state law (specifically including, but not limited to, those laws governing hazardous waste disposal and environmental protection) and provided that such servicing does not create a nuisance or otherwise violate any other provision of the city's Code.

Staff recommends approval.

At the May 23<sup>rd</sup> meeting, the Planning and Zoning Commission recommended approval of the proposed amendment.

There were no Public Comments.

Mayor Steele advised this Ordinance would come up for a vote at the July 6, 2006 meeting.

Mayor Steele called Public Hearing and 1<sup>st</sup> Reading on Proposed Ordinance #0-12-06 - Amendment to City of Fayetteville Retirement Plan.

Lynn Robinson, Director of Finance and Administrative Services stated that on February 15, 2006, the Retirement Committee met for its annual meeting. The committee members recommended the following changes to the City's Retirement Ordinance:

- A 2%, one-time discretionary adjustment for current retirement participants for fiscal year 2007.
- The retirement benefit rate be changed from \$38 to \$45 for eligible elected official participants.

The cost for the one-time discretionary 2% increase for all current retirees will be approximately \$3,094.00 per year.

There were no Public comments.

Mayor Steele advised this Ordinance would come up for a vote at the July 6, 2006 meeting.

Mayor Steele called Public Hearing and 1<sup>st</sup> Reading on Proposed Ordinance #0-13-06 - Amendment to Section 86-68 Proportionate Share Fee Partial Exemptions.

Joe Morton, City Manager advised staff is recommending several changes to the Sewer Proportionate Share Fee Ordinance, Section 86-68 as it relates to partial exemptions for “Priority Uses” in the Main Street District.

Several of the changes are “housekeeping changes” in order to provide consistency between the Proportionate Share Fee Ordinance and the Impact Fee Ordinance. Staff is also recommending that a new “Priority Use” be included in the partial exemptions. The new “Priority Use” would be for residential development and redevelopment projects which incorporate the voluntary installation of NFPA approved fire sprinkler systems within the Main Street District. This would hopefully encourage the use of fire sprinkler systems within the Main Street District where higher density is encouraged while minimizing the impact of new development on Fire Department resources.

There were no Public Comments

Mayor Steele advised this Ordinance would come up for a vote at the July 6, 2006 meeting.

Mayor Steele called Public Hearing and 1<sup>st</sup> Reading on Proposed Ordinance #0-14-06 - Amendment to Section 36-7 Development Impact Fee Partial Exemptions.

Joe Morton, City Manager stated that staff is recommending several changes to the Impact Fee Ordinance, Section 36-7 as it relates to partial exemptions for “Priority Uses” in the Main Street District.

Several of the changes are “housekeeping changes” in order to provide consistency between the Proportionate Share Fee Ordinance and the Impact Fee Ordinance. Staff is also recommending that a new “Priority Use” be included in the partial exemptions. The new “Priority Use” would be for residential development and redevelopment projects which incorporate the voluntary installation of NFPA approved fire sprinkler systems within the Main Street District. This would hopefully encourage the use of fire sprinkler systems within the Main Street District where higher density is encouraged while minimizing the impact of new development on Fire Department resources.

There were no Public Comments.

Mayor Steele advised this Ordinance would come up for a vote at the July 6, 2006 meeting.

Mayor Steele called Public Hearing and 1<sup>st</sup> Reading on Proposed Ordinance #0-15-06 – Fiscal Year 2007 Budget.

Lynn Robinson, Director of Finance and Administrative Services advised The City of Fayetteville prepares an annual budget for ten (10) different funds including the General Fund, Water and Sewer Fund, Solid Waste Fund, Capital Projects Fund, Impact Fee Fund, Special Purpose Local Option Sales Tax Fund, Cemetery Trust Fund, Confiscated Asset Fund, Hotel/Motel Tax Fund, and the Vehicle Rental Excise Tax Fund, and two (2) component units, Downtown Development Authority and Main Street Tourism Fund. The total revenue of all funds and component units for the City of Fayetteville is \$22,656,925. The total appropriation of fund balances for all funds is \$12,189,499. The total expenditures and other uses for all funds are \$34,846,424.

The General Fund budget has increased by 4.31% over fiscal year 2006. The Water and Sewer Fund has decreased by (4.27%) due to the completion of stormwater drainage system infrastructure. The Capital Projects Fund increased by 16.26% over fiscal year 2006. The SPLOST Fund has increased over fiscal year 2006 by 100%, due to the transportation projects that are included in the proposed budget. The Cemetery Trust Fund has increased by 481.16% over fiscal year 2006 due to a transfer to Capital Projects Fund for the City Cemetery Improvement Project. The Hotel Motel Tax Fund increased by 26.79% over fiscal year 2006 anticipating a full year of the new hotel located in the City of Fayetteville. The Downtown Development Authority has decreased by (26.22%) because the 2001 Bond Projects function has remaining reserved fund balance of \$35,000 for the façade project and \$35,000 for Depot Renovation. The Main Street Tourism Fund has increased by 3.75%.

The ad valorem property tax digest is expected to increase for fiscal year 2007 by approximately 9%. The increase is due to growth and reassessment in the City's tax digest. The 2005 net digest was 753,251,751. Therefore, for fiscal year 2007, estimating an increase of 9%, the net digest will be 821,044,409. The City's tax digest percentage growth has averaged between 7.04% in 2003 and 13.34% in 2002, as indicated in the chart to the right. The General Fund's budgeted millage is 2.283 mills. The Capital Projects Fund dedicated millage is .75 mills. A mill's value is estimated to be \$821,044 based on the 9% growth factor. Staff is recommending that the millage remain at the current rate of 3.033 mills.

The personnel positions added in the fiscal year 2007 budgets are: one Stormwater Maintenance Worker, one WasteWater Treatment Plant Operator, one Drug Task Force Patrol Officer, and one part-time Facility Maintenance Manager. The Stormwater Maintenance Worker is funded through the Stormwater Function in the Water and Sewer Fund. The general supervision of this position will be under the Public Works Department. The WasteWater Treatment Plant Operator is funded in the Water and Sewer Fund. The Drug Task Force Patrol Officer will be funded in General Fund. The Facility Maintenance Manager will be funded through the Downtown Development Authority and the MainStreet Tourism Fund.

Staff has budgeted an average of 3.5% to continue our Pay for Performance Salary Plan and our Retention Plan. Funds are included in the budget to continue our employee safety and longevity programs.

Employee benefits are estimated to increase by ten percent 10%. The employee benefits include health insurance, vision, dental, life, and short-term and long-term disability. The increase is based on claims, changes in dependent status, premium adjustments, and increased employee participation. The City has implemented an employee voluntary Wellness Program. The long term benefit to the City will be reduced claims and lower percentage increases. Incentives have been budgeted in conjunction with our Wellness Program. The employee's life insurance costs will increase as salaries increase because coverage is based on annual income with a limit of \$50,000.

Employee's defined retirement, participants deferred retirement, worker's compensation, and participant's flexible spending accounts have been budgeted for fiscal year 2007. The defined retirement has been amended to increase the Elected Official's retirement pension. There is no increase for the administration of each plan, however, cost to the City is increased as salaries and/or participation increases. The participant's whom utilize the flexible spending plan use this plan on a pre-taxed basis, which, saves the City tax money at the federal and state tax levels.

The proposed General Fund budget for fiscal year 2007 is \$9,591,721. The General Fund revenues reflect a 4.31% increase over the fiscal year 2006 budget. No appropriation of fund balance has been included in this year's budget in order to replenish and maintain the General Fund's unreserved fund balance. The ending fund balance for fiscal year end 2007 is estimated to be \$149,844 for unreserved fund balance and \$2,387,578 for reserved fund balance to continue operating expenditures equivalent to three months as set by policy.

The highest source of revenue is sales tax at 25.79%. However, the percentage increase from year to year has slowed significantly. In calendar year 2003, sales tax increased over calendar year 2002 by 7.22%. In calendar year 2004 LOST increased by 6.18% over calendar year 2003. In calendar year 2005 LOST only increased by 1.13% over calendar year 2004. Staff had anticipated this trend through strategic planning and forecasting. The declining sales tax is attributed to the decrease in the countywide distribution for the City of Fayetteville. Fiscal year 2006 was the last percentage decrease in the countywide distribution for the City of Fayetteville. The second source of revenue is general property tax at 19.77% of total revenues. Followed by, business tax at 16.11%, fines and forfeitures at 12.51%, and franchise taxes at 10.74%.

The City of Fayetteville Department's submitted a baseline budget which consisted of current staffing level, operations and maintenance, and replacement equipment and capital items only. The increase for employee pay and benefits was included in the baseline budgets. After the initial baseline budget was compiled, the Department Directors were then asked to submit their priorities; such as, additional personnel, new equipment, projects, programs, etc. with the cost projections of each priority.

General fund expenditures have increased by 4.31% over fiscal year 2007 budget. Debt service increased by 10.74% over last fiscal year, which includes leasing new and replacement vehicles for public safety. Personnel salaries and benefits increased over fiscal year 2006 by 6.28%, due to one new position and one upgraded position, and including the employee pay increase of

3.50% and benefits increase of 10%. Other Financing Uses increased by 5.04% over fiscal year 2006. Two transfers to other funds are budgeted: one transfer is for the Depot Renovation in the Capital Projects Fund from the remaining reserve fund balance of the sell of the Depot Parking Lot, and the other transfer is to the Main Street Tourism Fund. All other categories in the General Fund are a decrease over last fiscal year.

Public Safety, which includes the police department and fire department, has the highest percentage of all total classifications at 61.32% followed by General Government, Public Works, Housing and Development, Judicial and Debt Service.

The Water and Sewer Fund is one of the City's two (2) enterprise funds. An enterprise fund, also called proprietary fund, accounts for business-type activities that receive a significant portion of their funding through user charges.

The total Water and Sewer Fund revenue for fiscal year 2007 is \$16,815,061. Reserved 2003 revenue bonds fund balance in the amount of \$3,317,471, reserved sewer proportionate share of \$198,921, and a GEFA loan balance of \$7,426,125 is being appropriated for capital assets in conjunction with the 2003 revenue bond issue and capital improvement program. The Water and Sewer Fund's major sources of revenues are water sales and sewer charges. As indicated in the chart above right, water sales is approximately 13.31% of total revenues and wastewater sales is equivalent to 10.16% of total revenues. The other financing sources of 73.55% are reserved fund balances, contributed capital, and investment income.

Water and Sewer Fund expenses are \$16,614,331 with a change in net asset before depreciation of \$200,732. Depreciation expense is budgeted at \$1,408,000. As per the chart to the right, the water expenses are 13.52% of the total Water and Sewer fund and the sewer expenses represent 82.46% of total expenses. General Government represents allocation cost of Mayor and Council, City Manager, City Clerk, Financial Administration, Human Resources, Information Technology, and Housing and Development.

The reserved 2003 revenue bond fund balance and unreserved fund balance is for the expansion of the Water Pollution Control Plant.

The construction contract for this project was awarded by Mayor and Council on November 17, 2005 to Reynolds, Incorporated for their bid of \$11,869,100 that was signed into agreement on February 3, 2006 and with notice to proceed on or before March 6, 2006. Estimated date of completion for all work is October 26, 2007. The project is proceeding on schedule with no additions to the contracted work at this time.

The Solid Waste and Recycling Fund is also an enterprise fund or proprietary fund. The City of Fayetteville contracts with an outside vendor for the solid waste and recycling services. The Solid Waste and Recycling budget for fiscal year 2007 is \$690,000, with a net increase of \$133,800. This budgeted amount represents an increase of 24.06% over fiscal year 2006, which is due to an increase in the contracted services.



The Impact Fee Fund is a capital projects fund that provides accounting for revenues and capital projects funded by development impact fees. This fund is used to account for acquisition and construction of major capital facilities, infrastructure, and projects other than those financed by proprietary funds and trust funds. The total revenues and expenditures and transfers to Capital Projects Fund, SPLOST fund and Downtown Development Authority budgeted for fiscal year 2007 is \$1,231,283. In fiscal year 2007, the Impact Fee Fund transportation projects will be maintained in the SPLOST Fund and all other Impact Fee Fund projects will continue to be maintained in the Capital Projects Fund for better accountability and control. When expenditures occur, the monies from the Impact Fee Fund are transferred to the appropriate funds.

The Capital Projects Fund is used to account for the expenditures of resources for various public improvements and major capital projects, which are funded by a percentage of property taxes and other designated sources; such as, impact fees. The City has a proactive capital improvement program that identifies capital projects for the next five years. These projects are also included in our five-year long-range plan.

The total Capital Projects Fund revenues for fiscal year 2007 are \$1,107,609. Property tax revenues are projected to be \$615,783 from the .75 mills dedicated millage. Transfers in from the Impact Fee Fund for impact fee funded projects are budgeted in the amount of \$153,750. Transfers in from DDA for the 2001 bond projects are budgeted in the amount of \$70,000. A transfer in from General Fund in the amount of \$14,732 from the remaining proceeds of the Depot Parking Lot is budgeted for the Jeff Davis Pocket Park. A transfer in from the Cemetery Trust Fund is budgeted in the amount of \$33,998 for City Cemetery Improvements. Appropriation of fund balance in the amount of \$186,042 is included to refurbish R-9 for the Fire Department and to purchase other capital equipment and facility renovations. The refurbishing of the R-9 was originally budgeted in fiscal year 2006 but has been moved to fiscal year 2007. Unreserved Fund balance remaining after the appropriation is \$128,284 and Reserved Fund balance for the Law Enforcement Center Cops Issue is \$87,098. Expenditures are projected to be \$1,107,609. Listed in the table below are all the projects in the Capital Projects Fund and the funding source for each project.

A one percent special local optional sales tax has been approved by voter referendum for the funding of roads, street, and bridge projects. These projects will be accomplished subject to the budgetary restrictions of this SPLOST. The time period for the imposition of this tax shall not exceed five years, which term began on April 1, 2005 and shall end March 31, 2010.

The table below indicates the transportation projects and the funding source(s) in the SPLOST fund for fiscal year 2007. A five year forecast worksheet for SPLOST funding has been updated and is located in the appendices. The total revenues and expenditures for fiscal year 2007 is \$4,173,100. Revenues are comprised of SPLOST in the amount of \$762,000; Grant funds of \$1,964,800; developer contribution of \$120,000; transfer in from the Impact Fee Fund of \$731,600; interest revenues of \$12,000; and fund balance of \$582,700. The grant funding is for the LCI projects, the Fayetteville Connecting Sidewalks, and the SR85/314/Jeff Davis project. The developer contribution is for the Redwine Path/Construction and Acquisition project.

The Cemetery Trust Fund is a special revenue fund that accounts for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, or other government units and/or other funds. This classification includes cemetery perpetual care of a government owned cemetery.

Revenues include budgeted amounts of \$6,500 from interest from a trust fund dedicated to the City and fund balance of \$27,498. A transfer out to Capital Projects Fund in the amount of \$33,998 has been budgeted for Cemetery Improvements.

The Confiscated Asset Fund is a special revenue fund that accounts for monies derived from confiscated monies and can only be expended on certain equipment for public safety.

Interest revenue is budgeted in the amount of \$1,000. An appropriation of reserved fund balance is budgeted in the amount of \$44,578. Expenditures for fiscal year 2007 are \$45,578.

The Hotel/Motel Tax Fund is a special revenue fund to report monies collected from a special revenue tax assessed on hotels. The City of Fayetteville collects a 5% hotel/motel tax.

Three percent (3%) of this tax is dedicated to the Main Street program to promote tourism in the City of Fayetteville's Main Street district. The other 2% is dedicated to the Main Street Tourism Amphitheater.

Revenues are budgeted in the amount of \$105,407. The budgeted amount includes monies generated from two hotels located in the City of Fayetteville. Appropriations include transfers to MSTF for the Main Street Program and the Main Street Tourism function for the amphitheater.

The Vehicle Rental Excise Tax Fund is a special revenue fund to account for monies collected from a special revenue tax assessed on vehicle rental businesses. The City of Fayetteville collects a 3% vehicle rental excise tax. Revenues are estimated in the amount of \$50,100. These monies will be transferred to the Downtown Development Authority.

The Downtown Development Authority is one of two component units of the City of Fayetteville. The Downtown Development Authority was organized to develop and promote commerce, industry and general welfare within the City. Revenues are estimated to be \$292,945, including appropriated fund balance. Revenues are derived from rental income on the amphitheater, Holliday Dorsey Fife House Museum, and the Hollingsworth House. Expenditures include operating and maintaining the Holliday Dorsey Fife House Museum and the Hollingsworth House, debt service on the bond issue, and other financing sources to the Capital Projects Fund for the façade project and the Depot Renovations. A new part-time Facility Maintenance Manager position has been added to be funded one-half by the Downtown Development Authority. This position will be responsible for overseeing the maintenance and improvements of the buildings and infrastructure, including, but not limited to, the Holliday Dorsey Fife House Museum and the Hollingsworth House.

The Main Street Tourism Fund is the second component unit of the City of Fayetteville. The Fayetteville Main Street Tourism Association, Inc. was organized to serve the needs and interests of tourism within the City of Fayetteville, and in particular, tourism within the Main Street District of Fayetteville.

Revenues and expenditures are budgeted for fiscal year 2007 for the Amphitheater function in the amount of \$446,663. Revenues include, but are not limited to, charges for services, rental income, contributions and donations, and transfers in from Hotel/Motel Tax Fund. Expenditures are used to operate and maintain the amphitheater. Revenues and expenditures are budgeted in the amount of \$217,882, including a transfer from General Fund of \$85,000 for the Main Street function. The new part-time Facility Maintenance Manager is budgeted in the Main Street Tourism Fund for one-half of the expenditures. This position will be responsible for overseeing the maintenance and improvements, including, but not limited to, the Amphitheater, the Depot, and the Gazebo.

The Governmental Accounting, Auditing and Financial Reporting (GAAFR) published by the government Finance Officers Association (GFOA) define the term fund balance as “the difference between fund assets and fund liabilities of governmental and similar trust funds.” In simple terms, the fund balance is the excess of current assets over current liabilities utilizing the flow of current financial resources measurement focus and the modified accrual basis accounting. To express in layman’s terms, it might best be described as funds or idle cash that can serve as a financial safety net in the event of a “rainy day” or unexpected expenditures, can be used to liquidate existing long-term liabilities, or can be utilized to pay for expenditures incurred in future periods.

The size of this balance in relationship to budgeted appropriations provides some insight into the level of current financial resources that are available to meet the financial obligations of future periods. By having sufficient cash reserves available, it ensures a great deal of flexibility in carrying out the City’s annual expenditure plan as well as providing the fiscal capacity to meet most unanticipated needs. For these reasons, maintaining an adequate fund balance level is an important element in the long-range financial plan for the City of Fayetteville.

The fund balance provides a financial cushion that can be used to reduce the impact of a significant economic downturn or uninsured catastrophic loss. In situations such as these, the fund balance provides financial resources that can be used to replace lost revenues or fund unanticipated expenditures without having to raise taxes or incur new debt. Maintaining an adequate fund balance is important to the long-term financial stability of the City of Fayetteville insuring significant benefits to the taxpayers.

Over the past several years, the City of Fayetteville has initiated processes that have it looking to the future and planning for services, programs and facilities to meet the needs of the residents and businesses of the community. Strategic Planning is essentially a process, which assesses the future to the extent possible and determines the future service needs of the community.

Staff has developed a Financial Analysis and Planning document that focuses on the following issues:

Financial Trend Analysis-How did we get where we are today?

Long Term Forecasts-Where are we going?

Workload Indicators-How will we know when we get there?

The Financial Trend Analysis plays an essential role in developing the budget revenues and expenditures. Staff has developed a ten-year trend analysis in an effort to fully understand the existing trends. Financial trend analysis can be extremely valuable in gauging the City's fiscal health. The trend analysis is limited to the General Fund and the Water and Sewer Fund, the City's two largest funds.

Staff utilizes the trend analysis to also develop the five-year financial forecast for the City of Fayetteville. Along with the trend analysis, financial forecasting is based on assumptions. Long term forecasts helps staff and elected officials in planning for the long-range needs of the community. The forecast addresses all financial operations including personnel, operations, capital, and debt service. Thoughtful and objective analysis can result in both expenditure savings and innovative revenue enhancements. Organizational changes may also be used to transform and streamline the organization.

For staff and the elected officials to measure where we have been and to achieve where we want to be, goals, objectives and workload indicators have been established. Workload indicators are a means to measure results. They help to set goals and monitor trends and provide the data that allows us to identify opportunities for improvement. Within the budget book, are each department's achievements for the current fiscal year, goals for the fiscal year 2007, and their workload indicators.

Staff has developed a balanced budget for all funds while maintaining adequate reserve fund balances consistent with our Reserve Fund Policy. Each year, the budget establishes the battle plan to address new challenges as well as take advantage of unforeseen opportunities. The process to develop the budget is not complex. After revenues are estimated, expenditures must fit within the revenue projections. Recurring expenditures and prior commitments (baseline budget) reduce the amount available for discretionary expenditures. While determining the amount available for new or expanded services, equipment, projects, etc., is not difficult, deciding which expenditures to include in the budget is complex. It means considering the desires and needs of the elected officials, city departments, the citizens of Fayetteville, and the City as a whole.

We are beginning to see a much slower growth in revenues, particularly property taxes and sales taxes. We are experiencing a slower percentage of increase in our local option sales taxes mainly as a result of the renegotiation of the local distribution and the economy. While our revenues have begun to slow, our operating expenses have continued to increase, mainly due to providing competitive salaries and increasing health insurance benefits and the increase in the price of fuel.

As you are aware, staff has developed a Five-Year Plan to assist the City in long-range financial planning and forecasting. This plan was developed with input from each department and is updated annually to reflect any changing needs. The Plan is a very conservative forecast of the City's financial resources and departmental needs to maintain our existing service levels to the community. Based on the current fiscal year, staff was not able to fully implement the plan. The forecast also indicated that the plan for FY 2007 could not be fully implemented. Even though we were not able to fully implement all departmental needs; we were able to implement some based on the department's submitting a list of their priorities; such as, equipment, programs, projects, or personnel needs that would most meet their current service level. The Mayor and Council and staff will need to continue to closely evaluate the service and staffing levels on an ongoing basis to ensure that adequate personnel resources and financial resources are available to achieve the desired service levels.

Much appreciation goes to the Mayor and City Council for setting the overall vision and goals for the City, and to our department directors and staff for managing our resources in the most cost-effective manner in reaching these goals.

There were no Public Comments.

Mayor Steele advised the city will hold another public hearing on the Budget Ordinance at the July 6, 2006 meeting.

Mayor Steele called Public Hearing and 1<sup>st</sup> Reading on Proposed Ordinance #0-16-06 Amendment to Parks and Recreation Ordinance.

Don Easterbrook, City Engineer stated this Ordinance will set rules and regulations for all City Parks.

There were no Public Comments.

Mayor Steele advised this Ordinance would come up for a vote at the July 6, 2006 meeting.

Mayor Steele called for approval of Consent Agenda:

Approval of 2006 D.O.T. L.A.R.P. Contract

White moved to approve Consent Agenda. Dell seconded the motion. The motion carried unanimously.

### **City Manager and staff Reports:**

Joe Morton, City Manager advised Tinseltown Movie Theater received a 98 rating on their reinspection today from Fayette County Health Department, and this was very positive in taking care of this situation.

Dell moved to adjourn the meeting. Price seconded the motion. The motion carried unanimously.

Respectfully submitted,

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Judy Stephens, City Clerk